

ASIFMA Annual Conference: EU-Asia Financial Services Dialogue

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Thank you very much for your introduction. I am delighted to see the 7th ASIFMA Annual Conference taking place in Tokyo for the first time. It is a great honor for me to have the opportunity to speak at this conference today.

The ASIFMA Annual Conference is a meaningful and significant event, because this conference provides a very useful venue for a variety of participants from both public authorities and private sectors to get together to discuss a wide range of topics of mutual interest.

The agenda items of various sessions cover many recent interesting topics, including market fragmentation, financial innovation and sustainable finance, all of which I believe should be important for all of us.

Today, I would first like to provide a brief overview on the G20 policy priority issues which the Financial Services Agency of Japan (JFSA) considers important, and then I will speak about the activities of IOSCO's Asia-Pacific Regional Committee (APRC) which I currently chair, together with the importance of cross-regional cooperation.

Under the Japanese Presidency of G20 this year, JFSA set out three main policy priorities in financial areas, namely (i) aging, (ii) technological innovation in financial markets and (iii) market fragmentation, which I understand are also among the important agenda items of this conference.

First, aging is no doubt a global phenomenon which will pose significant various challenges across the globe, while the degree of aging and associated challenges could differ, depending on the individual economies.

In this regard, JFSA proposed to address relevant financial issues arising from aging through the GPFI, Global Partnership for Financial Inclusion. In June this year, GPFI, together with the OECD, submitted “G20 Fukuoka Policy Priorities” to the G20 Financial Ministers and Central Governors Meeting, which consists of eight priorities to address the challenges associated with aging.

Second, the topic of financial innovation is multi-faced. Financial innovation and FinTech are expected to deliver significant benefits, but at the same time, crypto-assets, for instance, have been posing risks, including around customer/investor protection and market integrity such as AML and CFT. To address these risks, there have been various efforts undertaken by international organizations, including establishing the directory of crypto-asset regulators and the regulatory toolkit for crypto-asset trading platforms.

At the same time, authorities have started to pay close attention to the issues associated with decentralized financial technologies which may allow direct transactions between financial customers or market participants without financial intermediaries. Under such a system, financial institutions under supervision by regulators may play a smaller role, and new regulatory challenges seem to be emerging. It would therefore merit considering whether the current regulatory and supervisory approaches would be sufficient, not least for mitigating risks arising from these decentralized technologies, but also for advancing the innovation.

Third, it would be important to address unintended, negative market fragmentation at cross-border to promote a global financial system that is resilient and supports global growth. Since the global financial crisis in 2008, public authorities have agreed to a number of common international standards which were actually important accomplishments. Now that the post-crisis financial reforms have basically been completed, I think it is time to see whether and how the intended outcome of these reforms have been obtained, including whether any unintended, negative market fragmentation is identified.

In this regard, the G20 asked international bodies, the FSB and IOSCO to address this topic on market fragmentation. These organizations submitted their reports to the G20 in June and the G20 Leaders welcomed their work.

As I currently assume Co-chair of the IOSCO group on cross-border regulation, let me here briefly touch upon the main elements of this IOSCO work done so far. There has been a growing recognition that unintended, negative fragmentation should properly be addressed, and in this regard, authorities have been making efforts to mitigate its effects through regulatory and supervisory cooperation, including with increased use of deference. Several challenges, however, remain. In this respect, the IOSCO proposed several practical steps that could strengthen cooperation between regulatory authorities and further assist regulators in addressing the adverse effects of market fragmentation.

IOSCO proposed three potential measures that could be explored further.

First, IOSCO would aim to foster mutual understanding one another's legislative framework and continuous monitoring of emerging issues of market fragmentation at cross-border in securities and derivatives markets. In this regard, IOSCO is planning to make greater use of IOSCO's Regional Committees and its advisory body.

Second, IOSCO would seek ways to deepen existing regulatory and supervisory frameworks, including through exploring whether and how existing supervisory colleges and other mechanisms of cooperation currently achieve their objectives.

Third, IOSCO would consider identifying good or sound practices that can be identified regarding deference tools.

Going forward, IOSCO will further consider how to take forward these proposals.

Turning to the different topic, as the capacity of Chair of the IOSCO Asia-Pacific Regional Committee (APRC), I would now like to briefly talk about the main activities of the APRC. As you may already know, various APRC-related meetings have been held this week back-to-back with the ASIFMA conference, and the EU-Asia Pacific Forum has just been held this morning.

Among the topics for discussion at APRC, since fall 2017, APRC has put one of its priorities on so-called “harmful but legal conduct” or “conduct risk” of financial institutions. APRC members have been very keen to share and exchange their experiences and lessons learned on “harmful but legal conduct” of financial institutions, which could adversely affect markets and investors. Several APRC jurisdictions have since conducted review or adopted approaches to identify and address conduct risk of financial institutions.

With respect to enhancing cross-regional cooperation, the EU Asia-Pacific Forum which has been held annually since 2016 has proved to be useful to consider regulatory developments in the two regions, including emerging trends, cross-border implications of domestic and regional legislation. This forum has greatly helped authorities of both regions to gain a deeper understanding of the regulatory frameworks and environments each other, including the objectives and intentions of their regulatory policies.

In closing, I would like to thank the ASIFMA for organizing this fruitful event here in Tokyo. I wish for a great success of the conference.

Thank you very much for your attention.